

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

HENDERSON-UNION RURAL ELECTRIC
COOPERATIVE CORPORATION

)
)
) CASE NO. 92-136
)
)
)

ALLEGED FAILURE TO COMPLY WITH
KRS 278.020(1)

SHOW CAUSE ORDER

Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union"), a Kentucky corporation engaged in the distribution of electricity to or for the public, for compensation, for lights, heat, power, or other uses, is a utility under the jurisdiction of the Commission pursuant to KRS 278.010(3)(a) and 279.210(1).

KRS 278.020(1) provides, in pertinent part, that:

No person, partnership, public or private corporation or combination thereof shall begin the construction of any plant, equipment, property or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until such person has obtained from the public service commission a certificate that public convenience and necessity require such construction.

On September 16, 1991, Henderson-Union tendered for filing an application, pursuant to KRS 278.300 and KRS 278.020(1), for authority to issue evidences of indebtedness and to construct the

utility facilities described in its 1991-1993 Work Plan, respectively. The application was accepted for filing on October 25, 1991 and docketed as Case No. 91-334.¹ Included with its application was REA Form 740c, Cost Estimates and Loan Budget For Electric Borrowers, which showed that one of the expenditures for which loan funds were being sought was \$1.5 million for the construction of a new headquarters building. See Exhibit A attached hereto. Henderson-Union subsequently disclosed that it "is in the process of moving its operations to a new headquarters after the first of the year." See Henderson-Union Motion for Extension of Time, filed December 16, 1991, Exhibit B attached hereto.

Henderson-Union's new headquarters building was not described in its 1991-1993 Work Plan and, consequently, was not included within its request for a Certificate of Public Convenience and Necessity in Case No. 91-334. A review of the Commission's records indicates that no request for such a certificate for the new headquarters building was ever filed. Based on a review of the information provided by Henderson-Union in Case No. 91-334, and being advised, the Commission finds that a prima facie case has been made that Henderson-Union violated KRS 278.020(1) by beginning the construction of a utility facility, i.e. a

¹ Case No. 91-334, The Application of Henderson-Union Rural Electric Cooperative Corporation for Authorization to Borrow \$1,540,000.00 From National Rural Utilities Cooperative Finance Corporation and to Issue Its Evidences of Indebtedness Therefor and For Certificate of Convenience and Necessity.

headquarters building, without first obtaining a Certificate of Public Convenience and Necessity.

The Commission, on its own motion, HEREBY ORDERS that:

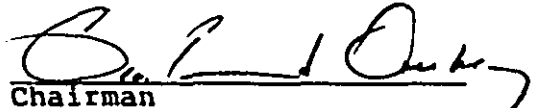
1. Henderson-Union shall appear at a hearing on April 30, 1992, at 9:30 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, to show cause why it should not be subject to the penalties prescribed in KRS 278.990 for the probable violation of KRS 278.020(1).

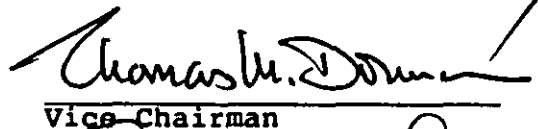
2. Henderson-Union shall file within 14 days of the date of this Order a written response to the probable violation noted herein.

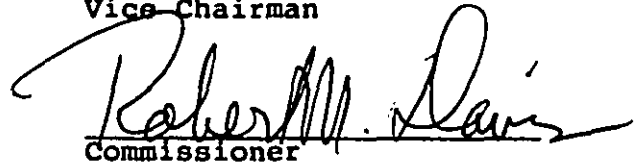
3. The record of Case No. 91-334 shall be incorporated herein by reference.

Done at Frankfort, Kentucky, this 3rd day of April, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Acting Executive Director

Public reporting burden for this collection of information is estimated to average 10 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Office, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (0418-0072), Washington, DC 20503. OMB FORM NO. 0572-0032, Expires 05/19/92.

COST ESTIMATES AND LOAN BUDGET FOR ELECTRIC BORROWERS			BORROWER'S COST ESTIMATES	REA USE ONLY
SECTION A. COST ESTIMATES			LOAN PERIOD: <u> 2 </u> YEARS	
1. DISTRIBUTION 100				
a. New Line: (Excluding Tie-Lines)				
<u>Construction</u>	<u>Consumers</u>			
Underground	30	Miles <u>7.0</u>	\$ 45,000	\$
Overhead	700	34.8	840,000	\$
Total Consumers . . .	730	Total Miles. <u>41.8</u>		
Subtotal			\$ 885,000	\$
b. New Tie-Lines				
<u>Line Designation</u>		<u>Miles</u>	\$	\$
Subtotal			\$	\$
c. Conversion and Line Changes 300				
<u>Attachment</u>	<u>Line Designation</u>	<u>Miles</u>	\$ 1,355,065	\$
Subtotal			\$ 1,355,065	\$
d. New Substations, Switching Stations, Metering Points, etc.				
<u>Station Designation</u>	<u>kVA</u>	<u>kV to kV</u>	\$	\$
Subtotal				

SECTION A. COST ESTIMATES (cont.)				BORROWER'S COST ESTIMATES	REA USE ONLY
e. Substation, Switching Station, Metering Point Changes					
<u>Station Designation</u>		<u>Description of Changes</u>		\$	\$
Subtotal				\$	\$
f. Miscellaneous Distribution Equipment 600					
(1) Transformers and Meters					
<u>Construction</u>		<u>Transformers</u>	<u>Meters</u>		
		15	30	\$ 11,850	\$
601	Underground	515	760	387,950	
602	Overhead			102,000	
603	(2) Sets of Service Wires to Increase Capacity 120			134,000	
(3) Sectionalizing Equipment					
(4) Regulators					
605	(5) Capacitors			9,600	
606	(6) Ordinary Replacements 1000 Poles			375,000	
607	(7) Autotransformers 6 - 1000 KVA			69,000	
608	(8) Clearance Poles - 250			200,000	
(9)					
(10)					
Subtotal				\$ 1,289,400	\$
g. Other Distribution Items 700					
(1) Engineering Fees				\$	\$
701	(2) Security Lights 350			105,000	
(3)					
(4)					
Subtotal				\$ 105,000	\$
TOTAL DISTRIBUTION				\$ 3,634,465	\$
2. TRANSMISSION					
a. New Line					
<u>Line Designation</u>		<u>Voltage</u>	<u>Wire Size</u>	<u>Miles</u>	
				Total Miles	
Subtotal				\$	\$

SECTION A. COST ESTIMATES (cont.)

BORROWER'S COST ESTIMATES

NEA USE ONLY

b. New Substations, Switching Stations, etc.

Station Designation

KVA

ky to ky

1

L

Subtotal

c. Line and Station Changes

Line / Station Designation

Description of Changes

19

1 

Subtotal

d. Other Transmission Items

(1) R / W Procurement

(2) Engineering Fees

(3)

(4)

(5)

(6)

Subtotal**TOTAL TRANSMISSION**

3. GENERATION (Including Step-up Station at Plant)

2. Fuel _____ Nameplate Rating _____ kW

b.

TOTAL GENERATION .

1300

4. HEADQUARTERS FACILITIES

a. New or additional Facilities (Attach REA Form 740g)

b.

TOTAL HEADQUARTERS FACILITIES

13

1,500,000

13

SECTION A. COST ESTIMATES (cont.)		BORROWER'S COST ESTIMATES	REA USE ONLY
5. ACQUISITIONS			
a. _____ Consumers _____ Miles		\$	\$
b. _____			
TOTAL ACQUISITIONS		\$	\$
6. ALL OTHER			
a. _____		\$	\$
b. _____			
c. _____			
d. _____			
e. _____			
TOTAL ALL OTHER		\$	\$

SECTION B. SUMMARY OF AMOUNTS AND SOURCES OF FINANCING

1. GRAND TOTAL - ALL COSTS	\$ 5,134,465	\$
2. FUNDS AND MATERIALS AVAILABLE FOR FACILITIES		
a. Loan Funds	\$	
b. Materials and Special Equipment		
c. General Funds		
d. Total Available Funds and Materials	\$	\$
3. NEW FINANCING REQUESTED FOR FACILITIES	\$ 5,134,000	\$
4. REA LOAN REQUESTED FOR FACILITIES (70 %)	\$ 3,594,000	\$
5. TOTAL SUPPLEMENTAL LOAN REQUESTED (30 %)	\$ 1,587,629	\$
CFC _____		
Name of Supplemental Lender _____		
6. CAPITAL TERM CERTIFICATE PURCHASES (CFC Loan only) (3%)	\$ 47,629	\$
7. SUPPLEMENTAL LOAN REQUESTED FOR FACILITIES	\$ 1,540,000	\$
8. 100 % SUPPLEMENTAL LOANS (See REA Bulletin 20-14, A & C)*	\$	\$

*Identify in Section A by budget purpose and separate subtotals.

SECTION C. CERTIFICATION

We, the undersigned, certify that:

1. Upon completion of the electrical facilities contained herein and any others uncompleted at this time but for which financing is available, the system will be capable of adequately and dependably serving the projected load for the loan period as contained in our current REA approved Power Requirement Study and Construction Work Plan.
2. Negotiations have been or will be initiated with our power supplier, where necessary, to obtain new delivery points and/or additional capacity at existing ones to adequately supply the projected load upon which this loan application is based.
3. The data contained herein and all supporting documents have, to the best of my knowledge, been prepared correctly and in accordance with REA Bulletin 20-2.

August 22, 1991

Date

August 22, 1991

Date

Signature of Borrower's Manager

Morton Henshaw

Signature of Borrower's President

HENDERSON-UNION RURAL ELECTRIC COOPERATIVE CORPORATION

Corporate Name of Borrower

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
DEC 16 1991
PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF HENDERSON-UNION)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AUTHORIZATION TO)
BORROW \$1,540,000.00 FROM NATIONAL) CASE NO. 91-334
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION AND TO ISSUE)
ITS EVIDENCES OF INDEBTEDNESS)
THEREFOR AND FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY)

MOTION FOR EXTENSION OF TIME

Now comes the applicant, by counsel, and moves for an extension of time to and including Monday, January 20, 1992, in order to comply with the Commission's order entered herein on December 9, 1991.

As grounds for this motion the applicant respectfully states that it would be unduly burdensome on the applicant, if not literally impossible to comply with the terms of the order by the deadline set forth in the order which is December 19, 1991; that normal end-of-the-year business activity requires additional time of the applicant's personnel, including those persons who are responsible for compiling the data and making the responses necessitated by the order; and that the applicant is in the process of moving its operations to new headquarters shortly after the first of the year which is necessitating additional time and attention of applicant's personnel.

WHEREFORE, applicant moves for an extension of time to and including January 20, 1992, to comply with the subject order and further requests all appropriate relief.

DORSEY, SULLIVAN, KING, GRAY & NORMENT
318 Second Street
Henderson, Kentucky 42420
(502) 826-3965
Attorneys for Henderson-Union Rural
Electric Cooperative Corporation

By


Frank N. King, Jr.